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**Committee of Experts on International Cooperation in Tax Matters**
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## Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus: tax matters

**Note by the Secretariat***

*Summary*

The present note was prepared by the Secretariat to assist the Committee of Experts on International Cooperation in Tax Matters in considering possible tax issues of relevance to the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, which will be held in Doha, from 29 November to 2 December 2008.

It gives a compendium of inputs that have so far been made to the review process of that Conference and that may be of relevance to the Committee's exercise of its mandate and future role, as well as other publicly available comments that may assist the Committee in its consideration. It suggests possible issues for discussion by the Committee at its annual session that may assist those participating at the Doha Review Conference in their deliberations on the role of tax cooperation in encouraging sustainable development.

* The views and opinions expressed in the present note do not necessarily represent those of the Committee of Experts on International Cooperation in Tax Matters or of the United Nations. Due to the need for collecting and assembling the most updated information, submission of this document was delayed.

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# I. Introduction

1. Within the United Nations, the work of the Committee of Experts on International Cooperation in Tax Matters is serviced by the Financing for Development Office of the Department of Economic and Social Affairs. This is because of the importance of international taxation, especially international cooperation in the area, to (a) domestic resource mobilization (the mobilization of financial resources through a stable and effective tax system that will foster sustained development); and (b) ensuring that all countries, including developing countries, will have a say in the development of tax norms that will affect the domestic mobilization of such resources.

2. The Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus (Doha Review Conference) will be held in Doha, from 29 November to 2 December 2008. The taxation aspects of the financing for development process are expected to be under consideration in Doha, including options for improving international cooperation in the tax area with a view to enhancing prospects for sustained development.

3. The present note draws together some of the points raised in the preparatory process for the Doha Review Conference and in commentaries on these issues, to assist the Committee in discussing the issue at its annual session. The Doha review process is driven by Member States, however, and this note by the Secretariat does not seek to advocate any particular outcomes of either the Committee discussions at the annual session or the Doha Review Conference itself.

# II. Background: Monterrey Consensus and the road to Doha

## Monterrey Consensus

4. The International Conference on Financing for Development was held from 18 to 22 March 2002 in Monterrey, Mexico.[1] This high-level conference adopted the Monterrey Consensus,[2] in which developed, developing and transition economy countries pledged to undertake important actions in domestic, international and systemic policy matters.

5. The Monterrey Consensus includes the following tax-related paragraphs, recognizing first the importance of effective tax systems in mobilizing resources to ensure sustained development (paras. 14-15 and 21-22) and, second, the need for the voice and participation of countries generally, including developing countries, in shaping international tax norms and approaches that will impact upon them (para. 64).

> "14. We recognize the need to pursue sound macroeconomic policies aimed at sustaining high rates of economic growth, full employment, poverty eradication, price stability and sustainable fiscal and external balances to ensure that the benefits of growth reach all people, especially the poor. Governments should attach priority to avoiding inflationary distortions and

[1] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7).

[2] Ibid., chap. I, resolution 1, annex.

abrupt economic fluctuations that negatively affect income distribution and resource allocation. Along with prudent fiscal and monetary policies, an appropriate exchange rate regime is required.

"15. An effective, efficient, transparent and accountable system for mobilizing public resources and managing their use by Governments is essential. We recognize the need to secure fiscal sustainability, along with equitable and efficient tax systems and administration, as well as improvements in public spending that do not crowd out productive private investment. We also recognize the contribution that medium-term fiscal frameworks can make in that respect. ...

"21. To attract and enhance inflows of productive capital, countries need to continue their efforts to achieve a transparent, stable and predictable investment climate, with proper contract enforcement and respect for property rights, embedded in sound macroeconomic policies and institutions that allow businesses, both domestic and international, to operate efficiently and profitably and with maximum development impact. Special efforts are required in such priority areas as economic policy and regulatory frameworks for promoting and protecting investments, including the areas of human resource development, avoidance of double taxation, corporate governance, accounting standards, and the promotion of a competitive environment. Other mechanisms, such as public/private partnerships and investment agreements, can be important. We emphasize the need for strengthened, adequately resourced technical assistance and productive capacity-building programmes, as requested by recipients.

"22. To complement national efforts, there is the need for the relevant international and regional institutions as well as appropriate institutions in source countries to increase their support for private foreign investment in infrastructure development and other priority areas, including projects to bridge the digital divide, in developing countries and countries with economies in transition. To this end, it is important to provide export credits, co-financing, venture capital and other lending instruments, risk guarantees, leveraging aid resources, information on investment opportunities, business development services, forums to facilitate business contacts and cooperation between enterprises of developed and developing countries, as well as funding for feasibility studies. Inter-enterprise partnership is a powerful means for transfer and dissemination of technology. In this regard, strengthening of the multilateral and regional financial and development institutions is desirable. Additional source country measures should also be devised to encourage and facilitate investment flows to developing countries. ...

"64. To strengthen the effectiveness of the global economic system's support for development, we encourage the following actions: ...

- Strengthen international tax cooperation, through enhanced dialogue among national tax authorities and greater coordination of the work of the concerned multilateral bodies and relevant regional organizations, giving special attention to the needs of developing countries and countries with economies in transition;".

### Follow-up process

6. In December 2002, the General Assembly set in motion a detailed follow-up intergovernmental process, as called for in the Consensus, to monitor implementation and carry forward the international discussion of policies for financing development. The Assembly also called on the Secretary-General to establish a standing secretariat to support the process. The Financing for Development Office was then created in the Department of Economic and Social Affairs.

7. The General Assembly, in its resolution 62/187, decided that the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus would be held in Doha, from 29 November to 2 December 2008.

8. In his letter of 10 January 2008 addressed to all States, the President of the General Assembly proposed a work programme for the preparatory process for the Doha Review Conference, which has since been followed.

9. The facilitators of the preparatory process, Ambassador Abdelaziz of Egypt and Ambassador Løvald of Norway, in their letters dated 25 January and 5 March 2008 addressed to all States, outlined the modalities of the review sessions. From 14 February to 20 May 2008, the General Assembly held six informal review sessions on the thematic areas of the Monterrey Consensus.[3] In addition, United Nations regional commissions held regional consultations in preparation of the Doha Review Conference.[4] These were followed by informal consultations (9 and 16 June 2008)[5] on the contents of the outcome document and hearings of civil society and the business sector (18 June 2008).[6]

10. The President of the General Assembly issued the informal summaries of the review sessions referred to above and circulated, on 28 July 2008, a draft outcome document of the Conference. Negotiations on the draft outcome document will begin formally on 8 September 2008.

## III. Draft outcome document

11. The draft outcome document prepared by the facilitators for the Doha Review Conference[7] has many paragraphs of importance to the consideration of tax issues, and it should be read in its entirety; however, paragraphs 8 to 11 are especially significant:

> "8. Fiscal reform is key to enhancing macroeconomic policies and mobilizing domestic public resources. We will strive to modernize budgetary processes and enhance transparency of public finance management, including gender responsive public financial management. The development of a sound and wide-ranging financial sector is central to the mobilization of domestic financial resources and should be an important component of national

[3] Summaries available at http://www.un.org/esa/ffd/doha/reviewsessions.htm.
[4] http://www.un.org/esa/ffd/regionalcommissions/index.htm.
[5] http://www.un.org/esa/ffd/doha/consultations/index.htm.
[6] Summaries available at http://www.un.org/esa/ffd/civilsocietybusinesssector.htm.
[7] http://www.un.org/ga/president/62/letters/ffdfinal280708.pdf.

development strategies. We will strive for diversified, well regulated, inclusive financial systems that promote savings and channel them to sound projects and initiatives, including in particular in the private sector. We will aim to increase the domestic supply of long-term capital and promote the development of domestic capital markets, including through multilateral, regional, subregional and national development banks.

"9. To achieve equitable development and foster a vibrant, inclusive private sector, it is vital to have a financial infrastructure that provides access through a variety of products and services to small and medium businesses that target women, rural areas and the poor, including microfinance and the financing of small and medium-size enterprises. To achieve gender equality, consideration of gender issues within areas such as macro- and micro-economic policies and labour policies should be undertaken. We will endeavour to address and remove gender biases in labour and financial markets as well as inter alia, in the ownership of assets and property rights.

"10. We will strengthen efforts to increase tax revenues through more effective tax collection and modernization of tax legislation, including through simplification of the tax system, broadening of the tax base and strongly combating tax evasion. To support individual country efforts in these areas, it will be important to enhance international cooperation in tax matters and broaden participation in the development of international tax norms and rules. We will consider strengthening the Committee of Experts on International Cooperation in Tax Matters by upgrading it to an intergovernmental body.

"11. Capital flight is a major hindrance to the mobilization of domestic resources for development, and efforts should be strengthened to address the various factors that contribute to it. It is vital to address the problem of illicit financial flows. Additional measures should be sought to prevent the transfer abroad of stolen assets and to assist in their recovery, as well as to prevent capital flows that have criminal intent, such as the financing of terrorism."

## IV. Relevance for the Committee of Experts on International Cooperation in Tax Matters

12. The Doha review process is highly relevant for consideration by the Committee of Experts on International Cooperation in Tax Matters at its fourth annual session (the last session with the current membership) for the following reasons:

(a) It is an opportunity for Committee members and observers to inform themselves of the issues, especially with a view to discussions at capitals with those preparing positions for the Doha Review Conference;

(b) It is a final opportunity for the Committee to formally express views for input into the issue of how international cooperation can enhance domestic tax systems with a view to better resource mobilization, especially in developing countries;

(c) In particular, it is an opportunity for the Committee to reflect upon how its broad mandate could be better met in the future, and how that work could be best assisted.

## V. Specific inputs and relevant materials

### Review session on chapter I of the Monterrey Consensus (domestic resource mobilization)

13. As noted above, one aspect of financing for development is the importance of stable and effective tax systems in mobilizing domestic resources for development. The General Assembly review session on chapter I of the Monterrey Consensus, entitled "Mobilizing domestic financial resources for development", was held on 14 February 2008. Relevant paragraphs of the informal summary[8] of the session are as follows:

> "18. In recent years, there has been more emphasis on fiscal policy space which can be increased through mobilization of domestic revenue, more productive investments, improving expenditure efficiency and increased external aid. In many low-income countries it has been a major challenge to replace import tariffs with equivalent tax revenues.
>
> "19. A key objective of fiscal policy should be sustained economic growth which requires the mobilization of fiscal revenues in a sustainable manner. There is scope in most developing countries to increase tax revenue through effective tax collection, progressive tax rates, modernization of tax legislation and broadening of the tax base. Perceived accountability of national and local governments should be enhanced through the linking of tax collection and service delivery. Lessons from some countries show that some reduction in tax rates can increase compliance and simplification of the tax system can increase coverage. Mobilization can also be strengthened by more effective expenditures and sound debt management. Cautious management of government revenues from exploitation of natural resources is important as is insuring a fair share of commodity revenue flows. ...
>
> "33. In the view of many representatives the mobilization of public resources and adequate fiscal policies were critical for sustained development. The link between the national development strategy and the reality of budget allocations were often in need of strengthening in developing countries. In order to fund essential public services and investments, it was important to enhance public revenues and use national resources effectively. There was considerable scope in many developing countries to raise additional revenues. This required a more effective and just tax system, including an efficient tax administration.
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> "34. A large number of representatives noted the close link between improving governance and increasing the tax base and revenues. The willingness of taxpayers to pay taxes derives from peoples' trust in the response of Government to meeting their needs. This was at the root of public

[8] http://www.un.org/esa/ffd/doha/chapter1/ReviewSessionChapter1_Summary.pdf.

accountability and required a transparent budgetary process, as well as transparent public finance management. The agenda for public finance and administration reform was ample, including areas such as public expenditure control, budgeting process, transparency in procurement, civil service reform, and tax administration. In this regard, strengthening international cooperation in tax matters, particularly through the United Nations, could be crucial.

"35. Some participants pointed out the need for developing countries to further explore how monetary and fiscal policies could directly stimulate capital accumulation and economic growth. It was stated that in many developing countries it was important to scale-up public investments; in fact, the positive impact of public investment on competitiveness was often ignored. In a context where public expenditures are fully covered by current revenues, the government should invest by borrowing as long as the public balance is sustainable.

"36. Many representatives stated that trade liberalization and tax competition, regarding foreign direct investments, had eroded the tax base. Revenues from tariffs could not be easily substituted by new or higher taxes, particularly in least developed countries. It was important, therefore, that development partners of least developed countries assist such countries in their trade and investment negotiations to prevent further erosion of their tax base. It was underscored that it was also important to strengthen multilateral cooperation on tax issues through the consolidation of the Committee of Experts on International Cooperation in Tax Matters. For countries rich in natural resources, the commodity boom had led to considerable higher revenues. Given the fact that some of these natural resources could eventually be exhausted and that the high prices might end, it was important for governments to explore how to retain a greater share of the commodity rents and to channel these rents to a stabilization fund or to investments that could help to attain a more sustainable development path. ...

"42. Various speakers pointed out that capital flight represented a major loss of resources for developing countries. According to some estimates annual amounts of legal and illegal outflows reached hundreds of billion of dollars. The factors that triggered such flows were several: inadequate macroeconomic policies, lack of trust in the national economy, funds obtained through illegal or criminal operations, deficient tax administration capacity, lack of transparency of cross border flows and insufficient international tax cooperation. It was important to increase efforts in all these areas in a way that addresses these factors and reduces the opportunities and incentives for such capital flight. A number of representatives stated that a global partnership was required to prevent transfer abroad of corrupt assets as well as to help their recovery. It was also important that all countries become parties to the United Nations Convention against Corruption and ensure that it is effectively implemented".

14. In a paper[9] representing its preliminary views, the European Union noted the following:

[9] http://www.un.org/esa/ffd/doha/chapter1/EU_submission.pdf.

"The management of natural resources which has a tremendously important role to play if the paradox of 'resource curse' is to disappear. Resource use taxes and fees can promote sustainable extraction and consumption of scarce natural resources and can be used to recover costs to improve the quality of the environment. While there are positive signs suggesting better macroeconomic management of the current boom in commodities markets, weak governance and poor institutions are still a source of concern in many resource-rich countries. International initiatives such as the Kimberley Process, the Extractive Industries Transparency Initiative (EITI) and the Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan to fight illegal logging are examples of worthwhile innovations that deserve to be deepened and broadened.

"To support an enabling fiscal policy, reform of tax policies and tax administrations (i.e. to enhance progressivity, diversity and stability of tax revenues) play a crucial role and can potentially improve several dimensions of economic, financial and political governance at the same time and might also be suitable to address income equalities. Developing countries' efforts need to be sustained and deserve the type of increased support from the international community as identified in the G8 Action Plan for Good Financial Governance in Africa."

15. A note by the United States of America on the theme[10] indicated the following:

"... If corruption is brought under control, donor resources and local taxpayer revenues will go further and achieve more. ...

"... The public finance and administration reform agenda is an ample one, comprising such topics as public sector expenditure control, fiscal and procurement transparency, civil service reform, tax administration and the planning and budgeting process. Making progress on these issues should be a priority for the foreseeable future.

"For many countries, corruption continues to undermine the rule of law and hamper the public sector's ability to meet development goals. Tax revenues and public funds are diverted or stolen, infrastructure projects suffer from inflated costs and quality problems, or never get built at all, and private sector activity is disadvantaged. At the same time, the enabling environment — the interface between government and the public — must function in a way that makes government a partner to a prospering private sector, and not an obstacle in its path. In many countries, onerous licensing requirements, uneconomical or impossible regulatory requirements, and other costly procedures impose burdens on private entrepreneurs that limit the creation of employment and output, in turn dampening growth and potential domestic resources available for development. Putting in place and enforcing laws against corruption and implementing reforms to eliminate bureaucratic red tape are key tasks facing many countries today."

16. The Rio Group of Latin American and Caribbean countries noted in its submission[11] the following:

[10] http://www.un.org/esa/ffd/doha/chapter1/USA_submission.pdf.

[11] http://www.un.org/esa/ffd/doha/G-Rio_submission_EN_ch1_ch2.pdf, p. 2.

"Fiscal Policy. On a medium term, the increase in the fiscal revenues is closely linked to growth and the efficiency of taxation systems. The increase in the fiscal base and the improvement on the expenditure efficiency are fundamental for all developing countries. The increase on the collecting base will allow for sufficient resources to encourage strategic areas and 'anti cyclic policies'".

17. The NGO Committee on Financing for Development noted in its submission[12] the following:

"Country ownership of development is crucial but it will only work if supported by an enabling international environment. Many countries will need for some time to use international financial resources to support public sector spending.

"If country ownership is to be achieved there is needed an effective, efficient and fair tax system. Some states have made real progress in improving their tax systems in recent years. To be able to find the needed resources for essential public services, they must put in place an equitable tax system that draws from those sectors that can most afford it.

"Fiscal space in developing countries has to be widened. If pro-poor development is to be sustained, the tax base needs to be diversified through such sources as resource-use taxes and pollution abatement taxes. In particular the tax system must be a progressive one so that the growing income inequality can be addressed. Tax avoidance must be dealt with. As civil society we will press our governments to broaden the tax base and fairly share the tax burden. What must be avoided at all costs is competition among countries through incentives to lure investment that destroys the possibility of any effective tax base. The race to the bottom must be halted."

18. The Tax Justice Network noted in its submission[13] the following:

"Capital flight and other illicit transfers of funds can be combated by several measures, including:

(1) first, the automatic exchange of tax information between governments;

(2) second, enforcement of the United Nations Convention Against Corruption;

(3) and third, treating cross-border tax evasion as a suspicious activity which must be reported to the relevant government authorities, and as a money-laundering offense which must also be reported to the relevant government authorities;

(4) Also, the United Nations Tax Committee should be strengthened and converted into an intergovernmental entity. The agenda of the UN Tax Committee should consider measures to combat capital flight and the resulting tax evasion in developing countries, and also measures to assist developing countries to improve their tax administrations."

[12] http://www.un.org/esa/ffd/doha/chapter1/NGO_statement.pdf.

[13] http://www.un.org/esa/ffd/doha/chapter1/Spencer_statement.pdf.

## Review session on chapter VI of the Monterrey Consensus (systemic issues)

19. The review session on chapter VI of the Monterrey Consensus was held at United Nations Headquarters in New York on 11 and 12 March 2008. Chapter VI is entitled "Addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development". Because that was the chapter of the Monterrey Consensus that most directly addresses international tax cooperation (such as in para. 64, noted above), that was the review session where tax cooperation issues were most often raised.

Relevant passages stemming from the informal summary are as follows:[14]

"265. There has been some important progress in cooperation in tax matters. Still, a stronger intergovernmental entity dealing with these issues may be called for. In this regard, United Nations Member States should consider converting the Committee of Experts on International Cooperation in Tax Matters into a fully intergovernmental body subsidiary to the Economic and Social Council. ...

"276. It is important to further explore innovative sources of financing. The Leading Group on Solidarity Levies to Fund Development is considering many initiatives, including fighting tax evasion and stemming illicit capital flows, possible taxes on currency transactions and implementing a digital solidarity contribution among others. Also, it appears important that the proposal to use special drawing right allocations for development purposes or to finance liquidity needs of developing countries is paid increasing attention.

"297. A number of speakers stressed that all countries share responsibility for promoting the prosperity and sustainability of the world economy. They emphasized that this was especially true in the light of new realities, such as the increasing flows of private capital, the growing power of emerging economies and the fact that global imbalances were fundamentally a multilateral challenge. The work of the international financial institutions to address global imbalances had to be underpinned by domestic efforts: by well-regulated banking and broader financial services; by appropriate exchange rate policy, savings and investment; by an adequate tax system and trade policies; and by other complementary domestic economic policies. Also, many participants underlined that the Bretton Woods institutions needed to be representative, financially stable and transparent, as those elements were central to the two institutions maintaining their relevance and legitimacy in an evolving global context.

"306. Many participants expressed concern about capital flight, illicit financial activities and transfers, tax evasion and corruption, and called on sustained international cooperation to fight those ills. They emphasized that international oversight institutions should continue strengthening existing mechanisms such as the United Nations Convention against Corruption. They stated that the ratification by all States and full observance of the Convention should be further promoted.

[14] See A/62/921.

> "307. Many speakers called for upgrading the present Committee of Experts on International Cooperation on Tax Matters to an intergovernmental commission with appropriate representation to reflect all interests. They stressed in this regard the special importance of addressing the concerns of small, vulnerable developing countries. They pointed out that the agenda of existing institutions, which address international tax matters outside the United Nations, was still largely lacking a development dimension, besides not being universally representative."

20. The European Union preliminary views on chapter VI[15] as provided to the meeting included the following:

> "The [Monterrey] Consensus also calls for greater international cooperation in tax issues, such as combating tax evasion, taxation of services and natural resource use, and tax administration."

21. A paper on "elements of interest" presented by the Rio Group of Latin American and Caribbean countries[16] noted the following:

> "The Rio Group countries believe that it is appropriate to analyse the formulation of joint strategies to face the challenges involved in tax cooperation. It therefore considers it important to study ways of strengthening the Committee of Experts on International Cooperation in Tax Matters."

22. The statement on behalf of the Group of 77 and China at the informal review session[17] noted the following:

> "The Group of 77 and China would propose that the conference, inter alia:
>
> ...
>
> – Upgrade the present Committee of Experts on International Tax Matters to a Commission with appropriate representation to reflect all interests."

23. The United Nations Conference on Trade and Development secretariat paper[18] presented to the review session the following:

> "On top of these issues related to the macroeconomic and financial aspects of development a number of new systemic issues have emerged since the Monterrey Conference, and these will also require action at the level of the international economic system.
>
> "One of them lies in the area of public finance, especially taxation and other forms of collecting public revenue. Fiscal competition is emerging as a systemic issue, as countries aiming to provide attractive conditions for investors from abroad offer them lighter fiscal treatment. This tends to lead to a race to the bottom, with developing countries losing potential development gains to multinational companies, if no coordination takes place at the supranational level."

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[15] http://www.un.org/esa/ffd/doha/chapter6/EU-background.pdf.

[16] http://www.un.org/esa/ffd/doha/chapter6/G-Rio_submission.pdf.

[17] http://www.g77.org/statement/getstatement.php?id=080312.

[18] http://www.un.org/esa/ffd/doha/chapter6/UNCTAD_submission.pdf.

24. Finally, the Non-Governmental Organizations background paper[19] to the meeting noted the following:

> "In spite of the Monterrey Consensus demands for strengthening their tax cooperation and reducing capital flight, capital flight and tax evasion continue to drain much-needed resources for development. Responsibility lies with both source and recipient countries of such capital. There needs to be a routine exchange of tax information between governments in order to combat tax evasion and other illicit transfers of funds. Much greater transparency is essential in all financial institutions, especially those that provide services privately, such as hedge funds, private equity and sovereign wealth funds, so tax liabilities can be properly assessed and collected. Cross-border tax evasion should be treated as a suspicious activity which must be reported to the relevant government authorities. Tax havens need to be closed as they only serve the interests of tax avoiders and criminals. Therefore, the Committee on International Cooperation in Tax Matters should be strengthened and converted into an intergovernmental entity, complete with adequate technical staff. The agenda of the Tax Committee must include measures to combat capital flight and tax evasion in developing countries, and also measures to assist developing countries to improve their tax administration. In the long run, a World Tax Organization (proposed in 2001 by a United Nations panel chaired by Ernesto Zedillo, former President of Mexico) should be established for deepening international dialogue among national tax authorities and enhancing the coherence of activities of multilateral and regional organizations."

25. A special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development was held in New York on 14 April 2008.

The summary by the President of the Economic and Social Council of the meeting[20] noted the following:

> "18. Many representatives stated that middle-income countries had common needs and that enhancing international cooperation efforts to support their development was essential. [...] It was critical to ensure an effective and efficient tax system, one leading to an increase in revenues, which would allow for strengthened policies for social protection and poverty reduction. Middle-income countries needed to prevent capital flight, and to counter abuse and evasion engaged in through transfer prices and tax havens.
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> "35. Several participants highlighted the fact that country ownership was indispensable for adequate implementation of policies and programmes. An explicit national development strategy could assist in strengthening ownership by identifying policy priorities, their sequencing and respective instruments — including financing. In particular, poverty reduction strategy papers should be negotiated locally with a wide range of stakeholders, and should include parliamentary oversight. For many least developed countries, public sector reform was particularly important, as was enhancing the tax system, in particular so as to curtail evasion. Gender equality and an active role of civil society were also highlighted by some speakers. According to several

[19] http://www.un.org/esa/ffd/doha/chapter6/NGO_submission.pdf.

[20] A/63/80-E/2008/67.

participants, measures to prevent corruption, reduce flight capital and eliminate illicit transfers were also necessary in a number of these countries, as were the efforts to recover the illegally acquired funds deposited abroad. Regarding the latter, the launching of the joint United Nations Office on Drugs and Crime and World Bank Stolen Asset Recovery Initiative was a very important step. Also, it was noted that Norway had established a task force on curbing capital flight and illicit transfers.

"36. Numerous speakers stressed that the key to effectively addressing the challenges described above lay in Governments' mustering the political will to reform and the international community's effective support of the reform efforts. The Doha conference in late 2008 will provide the opportunity for all relevant actors to show their commitment.

"46. ... Moreover, unregulated offshore centres and tax havens facilitated capital flight and tax evasion. It was necessary to combat capital flight and transfer of funds. One key measure would be to upgrade the Committee of Experts on International Cooperation in Tax Matters into an intergovernmental entity. Its agenda should contemplate the inclusion of measures devised to combat tax evasion and illicit capital flight. In the longer run, a world tax cooperation organization could be considered".

## Further consultation session on the content of the Doha outcome document

26. Consultations were held on 16 June 2008 at United Nations Headquarters in New York on the content of the Doha outcome document. A paper presented by Switzerland[21] noted the following:

"An effective fiscal system is central to the state's role in development processes. Efforts to improve fiscal performance should aim at broadening the tax base, simplifying tax structures and supporting more effective revenue allocation. Fiscal policies should facilitate the integration of the informal sector into the formal economy. Furthermore, governments should attempt to strengthen the social "fiscal compact" by advances in transparency, accountability and governance — to ensure the participation of civil society and the private sector — and improvements in public administration and infrastructure systems — to establish positive links between tax payments and improved service performance. Cooperation on matters relating to taxation could be valuable in serving the technical assistance needs of developing countries for strengthening their tax administration and broadening their tax bases."

27. At the same session, the statement of the NGO Committee on Financing for Development[22] noted the following:

"The latest crises and dynamics in the international financial system have shown that the rapid growth of global capital flows does not automatically go hand in hand with a corresponding increase in means available for poverty

[21] http://www.un.org/esa/ffd/doha/consultations/16JUN08_Swiss_paper.pdf.

[22] http://www.un.org/esa/ffd/doha/consultations/16JUN08_NGO_statement.pdf.

eradication and the achievement of the Millennium Development Goals. There is need for a worldwide coordination and cooperation regarding tax matters and this requires institutional strengthening. For as yet, there is no intergovernmental forum at global level that addresses taxation issues. In the short term, the Committee of Experts on International Cooperation in Tax Matters should be upgraded to an intergovernmental body, e.g. a functional commission of the Economic and Social Council, to this end. In the longer term, an independent International Tax Organization ought to be created as a specialized agency of the United Nations."

## Business and civil society sector hearings

28. Business and civil society sector hearings were held as part of the review process on 18 June 2008 at United Nations Headquarters. The call by one speaker for tax incentives as part of a favourable business environment and the reference by another to the tax environment as one factor in a country being favourable to investment are referred to in the informal summary of the business sector hearings).[23]

In its paper entitled "Civil Society and the Private Sector's Role in Development",[24] the United States noted the following:

"Special efforts are required in economic policy and regulatory frameworks for promoting and protecting investments, including the areas of human resource development, avoidance of double taxation, corporate governance, accounting standards, and the promotion of a competitive environment (para. 21 [of the Monterrey Consensus]). ...

"UNCTAD's September 2007 report on Domestic Resource Mobilization and Developmental States notes that economies that have focused greater attention on increasing and retaining domestic financial resources have been able to use them to fuel rapid and sustained economic growth as well as job creation. Public finance reforms, such as the introduction of Value Added Taxes (VAT) and improving collection have been successful in raising government revenues. The informal sector is an important segment of economic activity and formalizing its activities would further increase countries' development resource base and opportunities to finance the productive investments needed to sustain higher economic growth rates. ...

"The UNCTAD report also suggests that tax revenues, a major source of domestic financial resources, remain relatively low due partly to administrative and technical difficulties in tax collection. Inefficient tax administrations also lead to large leakages."

29. The informal summary of the civil society consultations[25] notes at paragraph 12 the following:

"Several participants highlighted the need for enhancing international cooperation in tax matters. The United Nations was the only suitable forum to

[23] http://www.un.org/esa/ffd/business/2007hearings/informal_summary.pdf.

[24] http://www.un.org/esa/ffd/doha/hearings/US_submission.pdf.

[25] http://www.un.org/esa/ffd/doha/hearings/CS-BS_Summary.pdf.

foster tax cooperation at the international level. In this connection, there was a call for converting the Committee of Experts on International Cooperation in Tax Matters into an intergovernmental commission."

30. Civil society participants at the meeting presented a paper on "key recommendations"[26] for the Doha outcome document and a more detailed "benchmarks" document.[27] The relevant paragraphs from the "recommendations" document were as follows:

"1. Supporting the establishment of efficient and fair taxation systems and strengthening financial administration

- Earnings from capital and resource extraction should be taxed more heavily than earnings from labour. Tax systems should be more redistributive, with tax relief for low wage workers and the poor. A progressive system of taxation must also be gender sensitive, taking account of the differential holdings of assets and rents between men and women.

"2. Transparent income reporting and effective taxation of transnational corporations

- Tax exemptions or tax incentives for transnational investors in Special Economic Zones is counterproductive and should be strongly discouraged. Corporate tax regimes should be promoted in an internationally coordinated manner.
- More transparent international accounting standards for transnational corporations on a country-by-country basis are also needed.
- Lack of transparency in reporting must be addressed, as it leads to misappropriation, corruption and tax evasion.
- All companies ought to be legally required to disclose all information on taxes, profits, fees and other payment flows between them and public institutions in all countries in which they operate. Such disclosure requirements should, at a minimum, use the reporting template adopted by the voluntary "Extractive Industries Transparency Initiative" (EITI). Jurisdictions controlling major capital markets should make such disclosure a requirement for being registered in such markets. Best practice with reporting mechanisms should in turn be used as the basis for establishing a United Nations Treaty to provide global disclosure requirements for the extractive sector.
- A government's capacity to implement an effective corporate taxation regime should not be limited by conditionalities attached to aid, loans or trade agreements.

"3. Supporting the repatriation of stolen public assets

- The United Nations Convention against Corruption must play an active role in addressing corruption and the flight of public monies. The

[26] http://www.un.org/esa/ffd/doha/hearings/civilsociety/KeyRecommendations.pdf.

[27] http://www.un.org/esa/ffd/doha/hearings/civilsociety/Benchmarks.pdf.

Convention ought to be ratified by all countries and implemented at national level as soon as possible.

- The Conference of Parties to the Convention must also set up an effective system of monitoring, to assess whether states are effectively fulfilling their commitments regarding the Convention.
- Initiatives such as the StAR (Stolen Assets Recovery Initiative) ought to be strengthened. Recovered assets should be used for meeting the Millennium Development Goals.

"4. Strengthening worldwide tax cooperation and setting up an International Tax Organization

- In the short term, the Committee of Experts on International Cooperation in Tax Matters should be upgraded to an intergovernmental body such as a functional commission of the Economic and Social Council, and adequately resourced.
- In the longer term, an independent International Tax Organization ought to be created as a specialized agency of the United Nations."

## UNCTAD XII

31. The twelfth session of the United Nations Conference on Trade and Development (UNCTAD XII) was held in Accra, from 20 to 25 April 2008. The importance of widening tax bases and the need to strengthen institutional capacities for tax collection and redistribution policies is highlighted in paragraph 17 of the Accra Accord as follows:[28]

"17. Effective public finance, including taxation, is an essential element in financing development. However, in many developing countries the current effective tax base is too small to generate adequate public revenues, and the institutional capacities for tax collection and redistribution policies are often weak. Official development assistance (ODA) can help a country to reach adequate levels of domestic resource mobilization over an appropriate time horizon, while human capital and productive and export capacities are enhanced. For many countries in Africa, least developed countries, small island developing States and landlocked developing countries, ODA is still the largest source of external financing and is critical to the achievement of development goals and targets in national development strategies as well as those of the Millennium Declaration and other internationally agreed development targets. Thus, effective aid flows and cooperation in their delivery can be vital to efforts to achieve national and internationally agreed development goals while countries pursue efforts to develop sufficient domestic resources. Despite debt relief initiatives, many developing countries still face financing challenges and require continued international support. ODA commitments, including those by many developed countries to achieve the ODA target of 0.7 per cent of gross national product by 2015, should be fulfilled in the context of the global partnership based on shared responsibilities. The substantial new aid commitments made by many donors

[28] http://www.unctadxii.org/en/Documents/.

should make it possible for net nominal ODA to surpass its current levels, already reached in the early 1990s."

32. The need for domestic resource mobilization is also discussed in the Accra Accord as a policy measure to minimize the negative effect on economies to external and domestic shocks, as follows:[28]

"31. Measures to deepen the resilience of economies to external and domestic shocks are also vital to crisis prevention efforts and should be enhanced. Beyond efforts to strengthen financial stability, policy measures and technical assistance to enhance the authorities' responsiveness to risk, including strengthening macroeconomic management, mobilizing domestic resources and enhancing debt sustainability, are important."

33. The risk of transfer pricing and often abuses was, however, specifically noted in the Accra Accord as follows:[28]

"111. In addition to capital flows, FDI can generate employment, transfers of technology and knowledge, access to international markets and competition. Furthermore, FDI can be complementary to national, regional and international efforts to mobilize resources for development. Along with the expected benefits of FDI, potential risks include crowding out local investments, anti-competitive practices, transfer pricing and environmental and social impacts. Countries should therefore consider both the quality and quantity of FDI."

34. At the Civil Society Forum, which took place on the occasion of UNCTAD XII, the impact of capital flight on domestic resource mobilization was referred to in the resulting Declaration as follows:[28]

"20. Although there is a prevalent idea that greater foreign direct investment (FDI) is the main development option for developing countries; in reality, FDI results in more costs and losses in many cases. In many countries, it exacerbates the outflow of resources, including investment resources, from these countries and the acute imbalance that arises in the global economy. Moreover, Africa, the poorest continent in the world, is a net exporter of capital, even while the burden of its external (and internal) debt continues to crush development possibilities and aspirations year after year. Domestic resource mobilization is seriously hampered by imbalanced resource flows, especially capital flight. ...

"55. UNCTAD should rethink its investment policy advice. It should help stop the 'race to the bottom' regarding incentives for investments, including tax holidays. It should provide analysis on costs and benefits of foreign investment, and advice on policies to maximize benefits while minimizing costs. It should also analyse in greater depth the development implications of bilateral investment treaties, as well as investment chapters and proposals in FTAs."

35. The report of the Secretary-General entitled "The latest developments related to the review process on financing for development and the implementation of the Monterrey Consensus"[29] noted the following:

[29] A/63/179.

"7. There has been renewed interest to address the negative impact of illicit capital flows on domestic resource mobilization. In a special event hosted by the Government of Norway at United Nations Headquarters on 14 February 2008, it was estimated that at least two thirds of the illegal international transfers of funds are motivated by tax evasion and the other third by efforts to conceal the proceeds of illegal activities, such as proceeds from the drug trade or terrorism financing. At the Technical Group meeting of the Initiative against Hunger and Poverty, held in Madrid on 23 May 2008, the importance of an agreement to consider tax evasion as a corrupt practice among countries signatory to the United Nations Convention against Corruption was also highlighted. A working group led by Norway on the development impact of illicit capital flows identified the need to expand cooperation in tax evasion in the same way the international community had coalesced on efforts against other criminal activities.

"8. In discussing the importance of enhanced international cooperation on tax matters, some have referred to the work of the Committee of Experts on International Cooperation in Tax Matters and to a proposal to upgrade it to fully intergovernmental body.

"9. In the long run, a sustained increase in the revenue capability of the public sector and diversification of the tax base is critical for mobilizing resources for development and meeting the internationally agreed development goals, including the Millennium Development Goals. It has been noted that there is scope in most developing countries to increase tax revenue through more effective tax collection, modernization of tax legislation and broadening the tax base. A meeting with the theme 'Revenue's role in the quest for inclusive development: What works and what can work better? South-South sharing of successful tax practices,' held on 22 and 23 May 2008 at New York University and attended by senior officials from several developing countries, emphasized the need to enhance the perceived accountability of national and local governments by linking tax collection with service delivery."

36. The report of the meeting on the theme "Revenue's role in the quest for inclusive development: What works and what can work better? South-South sharing of successful tax practices ($S^4TP$)",[30] referred to in the report of the Secretary-General (A/63/179), noted the following:

"It was noted that (not in any particular order of priority): ...

"2. An effective tax system, in both policy and administrative terms, is central to development, and political will and support for an effective tax system was a critical element in achieving this. This was a message highly relevant to the Doha Review Conference on Financing for Development (November 29-December 2, 2008);

"3. The 'tax culture' of a country is vital to sustainable development, since there had to be confidence in the system among the various stakeholders, including the general populace. There should be greater sharing of experiences in this area, including experiences in developing and nurturing a tax culture

[30] http://www.un.org/esa/ffd/tax/s4tp/FinalReport.pdf.

within the education system and among taxpayers — this would be a good subject for future meetings;

"4. The need to achieve an effective balance of education, assistance and strong compliance activity was central to effective tax systems and sustained development. There was therefore a need for greater cooperation in designing and implementing approaches to building relationships with taxpayers using various channels to provide tax services and encourage tax compliance, especially voluntary compliance. Educating taxpayers as to their obligations but also their rights as taxpayers was one aspect of this, as was building greater trust between business and tax authorities, though without compromising the need for strong compliance capabilities in dealing with those who did not choose to meet their lawful obligations. However, it is recognised that attempts in closing tax compliance gaps can be enhanced by improving on governments' service delivery standards to taxpayers by speeding up reforms on the expenditure side of budgets and delivering public goods in the quantity, quality and timeliness as required by the electorate/taxpayers. This strategy must be accompanied by efforts which pay sufficient attention to governance issues regarding revenue collections and the reporting thereon;

"5. The 'information deficit' and the 'skills deficit' (including in the sifting, analysis and connection of relevant information) were areas of great challenge for tax policymakers and administrations, and areas where sharing of successful experiences would be of particular benefit. In particular:

- There was a need to improve information collection capabilities, including by the effective use of Exchange of Information articles in tax treaties (or of information exchange agreements where comprehensive tax treaties do not exist) and to improve the capacity for, and techniques of, analysing and managing information; and
- The well thought out use of information technology can support improved taxpayer compliance and the costs and upheavals of such modernisation meant shared experience and advice could be of special benefit in this area;

"6. The high costs of capital flight (with one speaker suggesting that 50% of cross border illicit financing flows, including tax evasion, come from developing countries) to development emphasised the need to cooperate, share experiences and address tax avoidance/evasion and cross border funds flows systematically. It was noted that funds might be 'offshored' for reasons that may not relate to taxation, however;

"7. The International Monetary Fund might have a greater role in taking up multilateral issues pertaining to cross border financial flows, working with others; but it was recognised that that would only happen if the possibility was put to the Executive Directors on the IMF Board and taken up by them;

"8. Just as the IMF regularly produced other reports on economic developments, it could be asked to produce an annual fiscal developments report;

"9. Corruption is an issue for both developed and developing countries, and experiences in countering it could usefully be shared, while noting the lack of any universal definition of what constituted 'corruption'. With reference to the resources sector, initiatives such as the Extractive Industries Transparency Initiative (EITI) should be recognized as important instruments in the fight against corruption and tax revenue authorities in developing countries should, therefore, strive for attaining higher levels of transparency in respect of revenue collections from the natural resources sector;

"10. There is a need, in addressing tax related aspects of development, to consider not just how to enhance capabilities in the areas of tax policy and administration, but also how to nurture an independent and capable tax judiciary, and a transparent and effective system of related business law;

"Going forward it was recognized that there is much that could be done to improve South-South cooperation in the tax sphere, both on the day to day level and also in enhancing inputs of countries generally into international tax norms that would inevitably affect them.

"1. In particular participants and the organizers of the STTP project should:

(a) Share experiences on the topics of this meeting with those not at this meeting using United Nations channels (including through the proposed publication of presentations) but also using other networks in parallel;

(b) Organize or re-organize (as may be applicable) for transfer pricing — as it was an ongoing issue of great relevance to tax systems generally. This would include:

(i) building capacity to deal with current issues, including dealing with issues of transfer pricing involving intangibles and in the areas of service provision;

(ii) ensuring that alternative ways of addressing transfer pricing issues were explored, with strong developing country input.

"2. With specific reference to the Doha Review Conference on Financing for Development (November 29-2 December 2008), participants and organizers should ensure that Ministries of Finance are aware of the possible tax issues to be discussed, and also make sure that Foreign Ministries are aware of the importance of stable and effective tax systems to sustained and inclusive development.

"3. The United Nations Tax Committee and its secretariat, as well as those engaged in addressing tax issues in the context of the Doha Review Conference, are asked to consider:

(a) Developing an effective process for supporting capacity-building efforts in developing countries. This could include, for example:

(i) Developing databases of recognized (perhaps even certified) experts in particular fields — this could constitute a talent pool of diversified expertise to draw from, while recognizing that such brought-in expertise was only part of the solution, and needed to be

integrated into, and as far as possible internalized within, the domestic context and needs of the 'expertise receiving country';

(ii) Promoting practical case study-driven training sessions 'on the ground', working with others active in the area but recognizing that to be fully effective, such training would have to be representative of the various perspectives found within the United Nations Membership, and within particular regions, rather than reflecting only a particular subset of country interests;

(iii) Disseminating successful practices effective in developing skills and keeping expertise within tax administrations despite inevitable staff turnover ('knowledge management');

(iv) Promoting the need to fully understand the impact of tax incentives designed to attract investment, and to engage tax authorities at the policy and administration level in decisions granting significant special tax incentives ('understanding consequences' of so-called 'tax expenditures') as well as the importance of more explicitly indicating the policy intent of new tax incentives in the tax laws themselves, where possible. Ideally, all tax expenditures should be anchored in fiscal legislation only;

(v) Promoting ongoing beneficial exchange of experiences, both what has worked and what has not, including in areas of general administration and promoting a 'tax culture' and confidence in the tax system internally and externally. This would allow decisions to be taken in an informed way that expedites improvements and efficiencies in tax systems, draws upon pooled experience and makes it a more collective and enduring resource, while allowing such informed decisions to be taken in the developmental and cultural context of particular countries;

(vi) Addressing in practical ways the frequent mismatch of negotiation and other skills and of available information as between developed and developing countries in bilateral tax treaty negotiations and in negotiations with transnational corporations;

(vii) Ensuring in all the above that there is a focus on dealing (in a needs-driven way) with both technically complex areas of taxation, such as resource taxation and transfer pricing, as well as the basic tax administration curriculum and the structural and operational issues for effective tax administrations;

(b) Further work on the possibility of projects to enhance capabilities in the area of transfer pricing and related issues, including supporting developing countries in:

(i) Addressing current issues, such as difficult transfer pricing issues, in an equitable and coherent manner;

(ii) Examining, in particular, the impact of transfer pricing involving intangibles and in service industries (e.g., tourism);

(iii) Considering the possible role of 'safe harbours' and other simplified methods in balancing the needs for a fair outcome, an administratively workable system and greater certainty in transfer pricing cases;

(iv) Considering the application of comparable price methodologies in small developing countries, where there is a lack of suitable comparators;

(v) Examining, in parallel, possibilities for an alternative and widely acceptable approach for ensuring reasonable outcomes from the perspective of tax systems and taxpayers other than the arm's length standard, in view of the difficulties recognised on all sides with that approach;

(c) Work on developing a record of comparative tax law on key issues for publication and use in developing countries, recognizing that no one model will be appropriate in all cases;

(d) The possibilities for having an International Tax Appeal Tribunal in place of arbitration clauses in Tax Treaties, as well as other options to increase cooperation amongst the 'tax judiciary' internationally to increase the capabilities of a key aspect of any effective tax system;

(e) The possibility of a 'model' code on taxpayer rights as well as taxpayer obligations that can be modified to specific country experience, to the benefit of both administrations and taxpayers;

(f) The potential benefits, in terms of creating confidence in a country's tax system, of having an independent tax ombudsman charged with investigating complaints about tax administration;

(g) Exploring ways to increase the role of the United Nations as a clearing house for disseminating developing country experiences, understandings and learnings;

(h) The possibilities for further cooperative work and dialogue towards having relevant institutions develop and implement a revenue authority rating system;

(i) How best to address issues of cross-border tax evasion in a forum that would include, but would not be limited to, developed country members, and would address flows from developing countries to developed countries, rather than merely focusing on flows from developed to developing countries;

(j) In general, how best to further develop all areas covered at the conference, including issues in the taxation of resources (such as transparency and governance issues in relation to such taxation) and organizational and compliance issues for countries, with a practical approach."

37. The South Centre released a document in July 2008 entitled "Financing for Development from Monterrey to Doha: a South Centre input into the preparatory process leading to the Doha meeting",[31] which notes the following:

> "The United Nations continues to be marginalized as a global economic policy-setting institution, although there have been some positive changes. These include the creation of the Committee of Experts on International Cooperation in Tax Matters that could conceivably allow the UN to play a greater role in expanding tax cooperation activities at the international level ...
>
> "A serious loss of domestic resources in developing countries occurs through money-laundering and other illegal money transfers. Strengthening of tax cooperation with the North and countries with tax havens can be expected to go a long way in capturing this source of finance. The UN Committee of Experts on International Cooperation in Tax Matters was established in 2004 towards this end. The committee has met regularly and has made advances in clarifying issues related to tax cooperation. Developing countries and civil society have urged that the status of this body be elevated to a UN commission, a step that the Doha meeting might seriously consider."

38. In an opinion piece in the *Financial Times* online on 5 May 2008 entitled "A strategy to promote healthy globalization",[32] a former World Bank Chief Economist and United States Secretary of the Treasury touched upon the issue of international tax cooperation in a globalized world. He noted that:

> "The domestic component of a strategy to promote healthy globalization must rely on strengthening efforts to reduce inequality and insecurity. The international component must focus on the interests of working people in all countries, in addition to the current emphasis on the priorities of global corporations.
>
> "First, the United States should take the lead in promoting global cooperation in the international tax arena. There has been a race to the bottom in the taxation of corporate income as nations lower their rates to entice business to issue more debt and invest in their jurisdictions. Closely related is the problem of tax havens that seek to lure wealthy citizens with promises that they can avoid paying taxes altogether on large parts of their fortunes. It might be inevitable that globalization leads to some increases in inequality; it is not necessary that it also compromise the possibility of progressive taxation."

## Other publications and comments

39. There has been little written on the tax aspects of the financing for development process. However, a researcher at the Department of Political Science of the University of Ghent has published a paper on the issues.[33] The introduction to that paper summarizes its general approach as follows:

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[31] http://www.southcentre.org/index.php?option=com_content&task=view&id=663&Itemid=67, paras. 51 and 80.

[32] Lawrence Summers, see http://blogs.ft.com/wolfforum/2008/05/a-strategy-to-promote-healthy-globalisation/.

[33] Dries Lesage, "Taxation and the 2008 UN Follow-Up Conference on Financing for Development: Policy Recommendations" (see http://www.psw.ugent.be/Cms_global/uploads/publicaties/globalgovernance/Paper_Tax_Ffd.pdf).

"This paper addresses the taxation dimension of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus in Doha, Qatar, from 29 November to 2 December 2008. The Doha conference is meant as a stock-taking and updating exercise with regard to the Financing for Development (FfD) process that started with the 2002 UN Financing for Development Conference in Monterrey, Mexico. Tax policy is obviously an important aspect of financing for development, although it received relatively little attention in Monterrey. Some recent studies have highlighted the devastating effects on development of ill-conceived tax policies and lack of international tax cooperation in an era of globalisation. In a 2005 report Oxford professor Alex Cobham estimated the loss of tax revenues for developing countries as a result of asset-holding in offshore financial centres (OFCs) by rich individuals at $50 billion annually. A similar amount of public revenues is lost each year due to corporate profit shifting abroad, including to OFCs. In a May 2008 report, Christian Aid pointed at the dramatic consequences of problematic tax policies and weak enforcement in developing countries. Many observers agree that the taxation dimension of FfD is at least as important as official development assistance (about $104 billion in 2006). In this context we have to bear in mind that also developed countries are still heavily struggling with issues such as tax-inspired capital flows to OFCs and taxing multinational corporations properly without being played-off one against another. Within the frameworks of the European Union (EU) and the Organisation for Economic Cooperation and Development (OECD) developed countries have already undertaken coordinated action to deal with some of these issues, whereas such initiatives largely remain absent at the universal level.

"The paper departs from the following premises. First, the tax dimension of the FfD process deserves more attention than it has been given up till now. Especially globalization-related issues such as the taxation of multinational enterprises, fraudulent capital flight to OFCs, the developing world's weak capabilities to tackle these problems, and the way multilateral cooperation can partly remedy things, merit more detailed language in the final document of Doha. Secondly, a strengthening of the development-related tax agenda, as nowadays put forward — although with various accents — by the United Nations Secretary-General, a few United Nations Member States and a number of NGOs, perfectly fits within the internationally agreed upon basic contours for Doha, namely a review of what has been achieved since 2002 and an update of the Monterrey Consensus. Third, the 2008 Follow-up Conference is a rare occasion of international political momentum, not to say the only occasion in the foreseeable future, to make substantive progress with regard to this agenda at the multilateral level. After having outlined the policy context of the tax dimension of FfD, the paper will put forward a number of concrete policy recommendations."

A Tax Justice Network comment on that paper is also available.[34]

[34] http://taxjustice.blogspot.com/2008/06/un-is-failing-on-international-tax-so-html.

# VI. Possible issues for the Committee of Experts on International Cooperation in Tax Matters

40. In view of the short time between the annual session of the Committee (20-24 October) and the Doha Review Conference (29 November-2 December), the Committee may wish to consider finalizing any Doha-related part of its report at the annual session itself, rather than in the following weeks.

41. Some questions that the Committee may wish to consider in the context of the Doha Review Conference and enhancing international cooperation with a view to sustained development could include:

(a) Is the current Committee sufficiently configured to undertake the wide mandate it has been given;[35]

(b) Are there resource-neutral ways of speeding up the work of the Committee while ensuring that it is sufficiently reflective of views among the United Nations membership and business and civil society actors;

(c) Is there further work the Secretariat can do, within its resource constraints, to facilitate the Committee in better achieving its mandate;

(d) Because tax cooperation is a broad area, and the complexities of it mean that experts tend to specialize, and tend to be very busy in their work positions, what options exist to ensure that the Committee can address a broad range of issues of importance to developing countries under the current structure;

(e) For example, is there a greater need to use consultancies to assist the Committee, subcommittees and working group, including from experts from developing countries;

(f) Are there other ways of bringing wider experience into the work of the Committee, and improving the functioning of the subcommittees and working groups, while ensuring sufficient developing country inputs;

(g) Is there a need to bring other expertise into the United Nations tax work, such as economists, accountants and statisticians, and, if so, how might this be achieved;

(h) Do the current ways of working include the correct balance of views from outside Government, and, if so, how can that be improved;

(i) Should there be more focus on tax administration issues in the United Nations tax work, including cooperation to help close skills and information gaps in many developing countries, and including addressing issues such as the practical application of transfer pricing approaches;

(j) Should more be done to assist administrations in countering tax evasion, while ensuring that all have a "seat at the table" in such a process and that the outcomes of the process represent as level a playing field as is possible;

(k) How can the Committee, and the United Nations tax work more generally, better contribute to the financing for development process, including in terms of:

[35] See Economic and Social Council resolution 2004/69.

(i) Tax cooperation in ways to further domestic mobilization of resources (including encouraging investment) for inclusive development;

(ii) Ensuring the voice and participation of developing countries and countries in transition in international tax norm development and in skill and information-sharing.